



JASON M. FIELDS

STATE REPRESENTATIVE

Testimony of State Representative Jason M. Fields
Assembly Committee on Jobs, the Economy, and Small Business
Assembly Bill 234 – Wisconsin's Job Opportunity Tax Credit
Tuesday, May 12, 2009

Chairman Molepske and Committee Members:

Thank you for holding a hearing on Assembly Bill 234 and allowing me the opportunity to appear before you today in support of it.

Assembly Bill 234, Wisconsin's Job Opportunity Tax Credit, is modeled after a similar federal program, the Work Opportunity Tax Credit. The federal program was created in 1997 to give private-sector employers additional incentives to hire economically disadvantaged individuals facing significant barriers to employment.

The Wisconsin Job Opportunity Tax Credit bill would give businesses tax credit for hiring targeted groups of people including:

- disabled veterans
- ex-felons
- individuals that have completed or are completing rehabilitative services
- students hired for the summer
- and people that have recently participated in a Workforce Investment Board program.

The targeted groups of people included in the bill often have a difficult time finding employment, even when the economy is doing well. In an economic recession, finding a summer job as a student or a permanent job as an ex-felon or disabled veteran can be nearly impossible.

The goal of this legislation is to help these people find permanent jobs. To achieve this goal, the bill requires that businesses retain eligible employees for a minimum of 365 days. Where this does not guarantee the continued retention of hired employees, it does give the hired individuals a year of relevant work experience that will hopefully result in permanent job placement.

The Wisconsin Job Opportunity Tax Credit also gives businesses tax credits for hiring individuals that have recently participated or are currently participating in programs administered through Wisconsin's eleven Workforce Investment Boards. These Workforce Investment Boards provide many people in the state with the resources they need to find employment and the skills they need to jumpstart their careers. This bill is meant to facilitate additional collaboration between these Workforce Investment Boards and businesses throughout the state.

We also have written testimony submitted in favor of the bill from the Northwest Wisconsin Workforce Investment Board and the Greater Milwaukee Committee.



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May 11, 2009

Representative Jason Fields
P.O. Box 8952
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Madison, WI 53707

Dear Representative Fields:

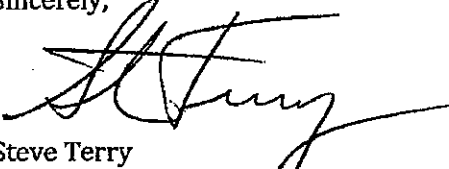
On behalf of the Northwest Wisconsin Workforce Investment Board, I write to inform you of our support for the Job Opportunities Credit legislation. The intent of the bill addresses a long-standing issue of business collaboration with workforce development. There is a need and desire to recognize alliances between businesses; workforce development boards; and other non-profit community organizations. The legislation makes a logical connection by providing income and franchise tax credits to businesses for hiring and training individuals who historically have a low socioeconomic status.

The Workforce Development Boards are a logical choice as one of the required eligible partners. Workforce Development Boards have a long-standing relationship in the community and are the local voice for workforce development. Private sector businesses comprise the majority of the Board and other partners such as local technical colleges, vocational rehabilitation, and Veteran's services would be helpful in the coordination of partnerships, career pathways, and other endeavors from an organizational standpoint.

The Northwest Wisconsin Workforce Investment Board appreciates and supports the leadership role that you have taken in drafting this legislation and it is our hope that it is looked upon favorably. Please contact me at 715-682-9141 Ext. 103 or mkay@nwcei.org if you need additional information.

We look forward to working with you in the future.

Sincerely,


Steve Terry
NWWIB Executive Director


Mari Kay-Nabozny
NWWIB Director of Development & Oversight

Meeting the Workforce Development Needs of Northwest Wisconsin



Michael W. Grebe
Chairman

Julia H. Taylor
President

May 12, 2009

To Whom It May Concern:

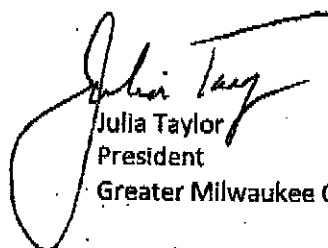
On behalf of our efforts with the Safe Streets initiative and the Earn & Learn Program, the Greater Milwaukee Committee wishes to lend support for the Job Opportunity Tax Credit.

This credit can help many in need of opportunities to work and prove to society – and themselves – that they can and will lead productive lives. Our young people are facing uncertain futures in this economy, with double the unemployment rate of the general population and last year's employment among 16- to 19-year olds at a 60-year low. Ex-felons without jobs are far more likely to reoffend and trap themselves into the discouraging – and expensive – cycle of the prison system. Veterans with service-connected disabilities sometimes find it difficult to immerse themselves in a fruitful career and fully readjust to society.

For a variety of reasons, the aforementioned people often face hurdles with employers that are difficult to clear. This bill increases their opportunities to apply skills and training acquired through Workforce Investment Boards. Pre-screening and significant tax credits provide incentives while lowering risks – real or perceived – for otherwise hesitant employers. Provisions in the bill, such as the requirements for 365 days' retention, also offer some protection for workers participating in programs using this tax credit.

For an investment of \$12 million, the return of about 6,400 additional jobs and their associated benefits are quite worthwhile. The GMC and City of Milwaukee are working hard to promote the "Earn & Learn" program, designed to help young people find gainful summer and long-term employment to get the experience they need for brighter future. The Job Opportunity Tax Credit would assist us greatly in our efforts to grow this program and improve the quality of life – and future – for Milwaukee's youth and others in need. We urge the Legislature to approve this bill.

Sincerely,



Julia Taylor
President
Greater Milwaukee Committee



State of Wisconsin • DEPARTMENT OF REVENUE

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Jim Doyle
Governor

Roger M. Ervin
Secretary of Revenue

Assembly Committee on Jobs, the Economy and Small Business Hearing, May 12, 2009

AB 234 – Job Opportunities Credit (Rep. Fields)

Description of Current Law and Proposed Change

This bill provides income and franchise tax credits for wages paid to the following individuals:

1. A veteran who is entitled to compensation for a service-connected disability and who is a member of a family receiving supplemental nutrition assistance.
2. An ex-felon.
3. An individual who is a vocational rehabilitation referral.
4. An individual who is participating in a program administered by any local workforce development board in this state.
5. An individual who is at least 16 years of age, but no more than 17 years of age, who is either a high school student or who graduates from high school during the taxable year for which a credit is claimed, and who is a member of a family whose Wisconsin taxable income is no more than 70% of the federal poverty line.

The credit is equal to 20% of the wages paid by the claimant for an ex-felon, an individual who is a vocational rehabilitation referral, or a qualified veteran, up to a maximum of \$2,500 per employee per year; the maximum aggregate annual credit for all claimants for these classes of employees is \$6 million. For tax years beginning after December 31, 2008 and before January 1, 2010, the credit may be claimed for these types of employees who work at least 400 hours in the taxable year. Thereafter it may be claimed only for employees who work at least 1,560 hours in the taxable year.

For an individual participating in a program administered by a local workforce development board, the credit is equal to 20% of the wages paid by the claimant, up to a maximum of \$2,000 per year for each employee. The maximum aggregate annual credit for all claimants for wages for these individuals is \$3 million. For tax years beginning after December 31, 2008 and before January 1, 2010, the credit may be claimed for these employees who work at least 400 hours in the taxable year. Thereafter it may be claimed only for employees who work at least 1,560 hours in the taxable year.

For qualified youth employees, the credit is equal 50% of the wages paid by the claimant up to a maximum of \$200 per month per employee if the employee works less than 35 hours per week or \$400 per month if the employee works 35 hours or more per week, up to \$1,200 per year for each employee. The maximum annual aggregate credit amount for all claimants for youth employees is \$3 million.

Unused credits may be carried forward for 15 years.

Except for credits claimed for wages paid to a youth employee, credits claimed must be repaid to the Department of Revenue if the employee does not work for the claimant for 365 consecutive days.

The Department of Revenue has submitted the following technical comments to the author

- As currently drafted, a youth employee would have to furnish personal information as to family income to an employer so that the employer could determine if the family income is no more than 70% of the federal poverty line. Families may have reservations about furnishing such information.
- Under the bill, a "youth employee" must be at least 16 years of age but no more than 17 years of age. It is conceivable that providing a credit that is equal to 50% of wages could encourage employers to release an employee on the day he/she turns 17 and hire someone else who meets the age criteria.
- Sections 71.07(5c)(c)5., 71.28(5c)(c)5., and 71.47(5c)(c)5., provide that the credit must be repaid if an employee (except a youth employee) works for the claimant for less than 365 consecutive days. This could be interpreted to mean that the employee must actually work 365 days without a day off. The author may wish to change the language to say "works for the claimant for less than one year" or "is employed by the claimant for less than one year."
- The amount of the credits is limited to \$6 million for adult employees as defined in the bill, \$3 million for participants in a workforce development program and \$3 million for youth employees. Once the limit is reached for each class of employee, it appears the Department of Revenue would have to deny credits to employers. This would be inequitable to some employers who hired certain individuals only because of the credit. Employers who file a calendar year return would be first to be allowed the credit. Fiscal year filers would be more likely to have the credit denied. An alternative would be to have the credit amounts certified in advance by another department or departments as is done with other credits. This would provide certainty to the taxpayer while maintaining the fiscal limits.
- The maximum credit for a youth employee is unclear when the employee does not work the same number of hours each week. For example, if an employee works 40 hours per week for four weeks in the summer but works only 20 hours per week for 12 weeks after school starts, the average number of hours worked per week would be 25 for the 16-week period. Would the maximum credit be \$200 per month because the average was less than 35 hours per week? Or is the maximum credit \$400 per month for the period in which the employee worked more than 35 hours per week plus \$200 per month for the period in which the employee worked less than 35 hours per week? The author may wish to clarify this.
- Based on information from the Department of Workforce Development, a person generally stops participating in a program administered by a local Workforce Development Board when they achieve employment. However, the bill provides a credit for wages paid to a person who is currently participating (present tense) in such a program. If the intent is to provide an incentive for employers to hire individuals who have used the services provided by a local workforce development board, the author may wish to change the language to refer to a person who had participated in a program administered by a local workforce development board (past tense) within a certain period of time before being hired.

Contact: Sherrie Gates-Hendrix, (608) 267-1262